



Insurance Institute of Michigan

Insurance Institute of Michigan Position
Insurance Fraud Authority
House Bill 5701, Senate Bill 296
As of May 30, 2012

The Insurance Institute of Michigan (IIM) supports legislation, such as House Bill 5701 and Senate Bill 296, which would reduce auto-related insurance fraud and auto theft in an effort to lower auto insurance premiums for Michigan policyholders.

IIM supports legislation that would:

- Expand the Auto Theft Prevention Authority (ATPA) to direct anti-auto insurance fraud efforts, including grants to fund investigators, prosecutors and public education efforts to fight auto-related fraud.
- Facilitate centralized reporting of insurance fraud and auto theft data.

The ATPA is an organization in Michigan that fights auto theft. The ATPA provides funding for local municipalities to hire investigators and prosecutors to combat auto theft through a \$1 fee on all auto insurance policies. Since the inception of the ATPA in 1986, auto theft in Michigan has declined 58 percent. House Bill 5701 and Senate Bill 296 would take this successful format and expand it to include other automobile-related fraud, including Personal Injury Protection (PIP) medical fraud.

Under Michigan's unique auto insurance no-fault system, persons injured in an auto accident receive **unlimited, lifetime medical benefits**. Some unscrupulous individuals try to take advantage of the system by fraudulently submitting claims or padding legitimate claims. It is estimated that about 10 percent of all claims are fraudulent. While it is difficult to quantify fraud in Michigan, using this 10 percent estimate, the exposure for overall insurance no-fault Personal Injury Protection (PIP) insurance fraud is \$250 million.

To combat insurance fraud in Michigan, insurance companies have established Special Investigative Units (SIU), which train insurance personnel to identify suspicious losses that should be given a closer look. The SIUs work with law enforcement and prosecutors to ensure that the people driving up the cost of insurance by taking advantage of the system are caught and punished. There is a need, however, at the local level to provide additional funding so that investigators and prosecutors can pursue insurance fraud criminals.

The proposed Fraud Authority would dedicate funding to local units of governments for investigators or investigative units and prosecutors that would be specifically assigned to auto insurance fraud and theft prevention efforts. Funding for the Authority would be raised through the assessment on all auto insurance carriers operating in Michigan.

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House Bill 5701 and Senate Bill 296 would create an organization similar to one in the state of Pennsylvania which has been very successful in fighting fraud. The Pennsylvania Insurance Fraud Prevention-funded units have been responsible for: 4,998 arrests, 2,925 convictions, over \$2 million in court ordered fines and \$32 million in restitution since its inception in 1996.

Funding investigators and prosecutors dedicated to fighting insurance fraud and auto theft will reduce costs to the insurance system — benefiting all policyholders.

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